

Message Text

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65-60

ACTION EB-07

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AMEMBASSY NICOSIA
USMISSION NATO
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AMCONSUL THESSALONIKI

UNCLAS ATHENS 2984

E.O. 11652: N/A

TAGS: ECRP, GR

SUBJECT: ECONOMIC TRENDS IN GREECE

REF: CERP 0004

VIENNA FOR DIETZ

1. FOLLOWING IS SUMMARY OF SEMIANNUAL ECONOMIC TRENDS REPORT,
WHICH IS BEING POUCHED THIS WEEK.

2. GREECE FINISHED 1974, AS DID MANY OF HER OECD PARTNERS,
GRAPPLING WITH STAGNATION, INFLATION, AND BALANCE OF PAYMENTS
PROBLEMS. REAL GNP DECLINED 2 PERCENT IN 1974; PRICES CLIMBED
13.5 PERCENT DURING THE YEAR; AND THE GOVERNMENT DID WELL TO
HOLD THE CURRENT ACCOUNT DEFICIT TO ABOUT DOLS 1.2 BILLION IN
LIGHT OF SKYROCKETING OIL PRICES.

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3. IN 1975, GOVERNMENT POLICY AIMS AT MILD STIMULATION, WITH A GNP GROWTH TARGET OF 2 TO 4 PERCENT. WITH RESPECT TO INFLATION, UNOFFICIAL ESTIMATES ARE FOR PRICE INCREASES OF 12 TO 14 PERCENT THIS

YEAR. SHARP INCREASES IN INDIRECT TAXES, PUBLIC UTILITY RATES, GOVERNMENT MONOPOLY PRICES, COMMUTATION COSTS AND HEAVY PRESSURE FOR "CATH-UP" WAGE HIKE HAVE CHARACTERIZED THE FIRST QUARTER. TRADE AND CURRENT ACCOUNT DEFICITS ARE EXPECTED TO BE OF ROUGHLY THE SAME MAGNITUDE THIS YEAR AS IN 1974. WITH FOREIGN EXCHANGE RESERVES EQUIVALENT TO ABOUT TWO MONTHS OF IMPORTS, GREECE WILL NEED LARGE-SCALE FOREIGN BORROWING IN 1975, FOR WHICH PROSPECTS ARE FAVORABLE.

4. THE GREEK GOVERNMENT HAS STRESSED ITS INTENTION OF EXPEDITING COMPLETE INTEGRATION WITH THE COMMON MARKET. THE "UNFREEZING" OF THE GREEK-EEC RELATIONSHIP WILL OPEN UP NEW CHANNELS OF FOREIGN OFFICIAL ASSISTANCE. IN MARCH, THE DRACHMA-DOLLAR TIE WAS ENDED, AND THE DRACHMA WILL HENCEFORTH BE VALUED THROUGH A BASKET OF CURRENCIES OF GREECE'S MAJOR COMMERCIAL AND FINANCIAL PARTNERS, INCLUDING THE DOLLAR.

5. IMPORTS FROM THE UNITED STATES IN 1974 TOTALLED DOLS 365 MILLION, UP BY 29 PERCENT OVER 1973. LONGER TERM MARKET PROSPECTS FOR U.S. EXPORTERS IN GREECE ARE PROMISING, AS THE GOVERNMENT CONTEMPLATES MAJOR PUBLIC INVESTMENT PROJECTS AS WELL AS STIMULATION OF PRIVATE INDUSTRIAL INVESTMENT. AN APRIL VISIT BY EXIMBANK CHAIRMAN WILLIAM CASEY GENERATED CONSIDERABLE ENTHUSIASM IN BOTH OFFICIAL AND PRIVATE CIRCLES ON POSSIBILITIES FOR EXPANDED U.S. EXPORTS. AREAS OF PARTICULAR POTENTIAL FOR EXPORTS OF U.S. CAPITAL GOODS/TECHNICAL SERVICES INCLUDE NUCLEAR AND OTHER ENERGY DEVELOPMENT, PETROCHEMICALS, FERTILIZERS, MINERALS (BAUXITE, MAGNESITE, ETC), AVIATION EQUIPMENT, AND THE ATHENS SUBWAY. THE PRESENCE OF U.S. BRANCH BANKS CAN FURTHER FACILITATE U.S. EXPORTS.

6. THE GOVERNMENT HAS CONFIRMED THE CONSTITUTIONAL VALIDITY OF BASIC FOREIGN INVESTMENT LAW 2687, BUT REVISIONS OF CERTAIN CONTRACTS CONCLUDED DURING THE JUNTA PERIOD ARE BEING SOUGHT, WHERE "THE STATE AND SOCIETY AS A WHOLE HAVE SUFFERED DAMAGE."
KUBISCH

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